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**Written Statement of Martha Karlovetz for the**  
**House Ways and Means Committee**  
**Subcommittee on Social Security**  
**Hearing on Social Security at 75 Years: More Necessary Now Than Ever**

Thank you for providing the opportunity to provide testimony regarding the importance of Social Security for retired workers.

I retired in 1995 after a working career that spanned 35 years. For 15 years I worked full-time in jobs covered by Social Security. The first six of these years were my lowest earning years. I worked as a clerk-typist for a small manufacturing company in St. Louis while I finished my teaching degree in night school at Washington University. The last nine of these years (and the years immediately preceding my retirement) were my highest earning years. In each of these nine years I contributed the maximum F.I.C.A. required by Social Security.

For 17 years I was a teacher, contributing 9-1/2 to 10-1/2 percent of my salary to the Public School Retirement System of Missouri (PSRS). My school districts, Ladue and Parkway, contributed an equal amount to my pension. These are monies that I would have been paid in salary. I also worked part-time during my teaching years as a consultant, teaching summer school and teaching at the graduate level. For these jobs, however, an F.I.C.A. contribution was automatically deducted. I did not have a choice.

Although I tried several times, beginning in 1986 or 1987, to find out what the impact of the Windfall Elimination Provision would be on my Social Security benefit, I had difficulty getting any accurate information. The local Social Security offices that I contacted, and yes, I did contact several hoping that someone would have the answers, would refer me back to the Public School Retirement System. PSRS would refer me back to the Social Security offices. Written estimates of benefits I requested from Social Security were also vague.

In 1995 I retired. Yes, I was only 55 at the time and took advantage of an early retirement program offered by the Parkway School District in Missouri. Since I was vested but did not have 25 years in the retirement system, I needed to wait until age 60 to start collecting any pension and I also knew that I would be age 62 before I could start drawing Social Security. I knew my Social Security benefit would be reduced but still did not have an accurate estimate of how much.

But my husband and I were not worried about our financial security at the time. We had saved and invested wisely over a period of many years. We built our own home, literally, had no mortgage and no car payments - and no debt. Our "nest egg" would be more than adequate to support us through our retirement years.

In 2000 I began to collect my public pension, which now amounts to \$1583 a month, less federal and state taxes. In 2002, at age 62, I applied for Social Security for which I now receive \$713 per month. Of course this is subject to income taxes and is about \$400 per month less than what it should be because of the Windfall Elimination Provision, just because I have a public pension. This is not a lot of money after a 35-40 year career in the workforce!

When the Government Pension Offset was passed by Congress, I'm not sure that I was even aware of it. And even if I had been, retirement and the possibility of my spouse predeceasing me was something that was so far in the future that I probably wouldn't have given it much thought. My husband is now 74 and has a history of heart attacks in his family. I am now 70 and have a family history of longevity: my mother died at age 80, my father died this year at the age of 97. Our future is here.

My husband retired from McDonnell-Douglas/Boeing in September, 1997, after more than thirty years with that company and another ten years of employment elsewhere. He was not a manager or an executive, but an electrician. His pension from Boeing now nets him \$1059 per month after taxes and over \$450 per month for health care and Medicare supplemental coverage is deducted. He receives \$1311 per month for Social Security, also subject to taxes. Even if you add our pensions and Social Security benefits together, we are far from being wealthy.

In the last five years our financial situation has changed significantly. Because of the economy, assumptions we made when we retired are no longer accurate even though we did careful planning, invested wisely and met with all sorts of financial advisors over the years.

Like many others in this country, our nest egg, the money we counted on during retirement, has shriveled to less than 70% of its value five years ago. We also aren't making the money on our investments that were predicted at the time of our retirement. We have recently gone to driving only one car (a 2003 model) rather than two and wince at paying \$2.70 or more for gas. The premiums on the long-term care insurance which we purchased when we were in our 50s have increased by 50%.

When we retired we had no mortgage. Now we have two. Initially the decision to get a mortgage was made because income taxes were cutting so heavily into our nest egg as we had very minimal tax deductions. With the financial market booming, we would make more on our investments than we would pay in taxes. However, that situation has certainly changed!

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In the Florida real estate market we are impacted even more. In 2005, just shy of the peak market here, we bought our house in Venice. We had watched the prices climb during five years of winter visits and decided to take the plunge. But we weren't speculating. We knew eventually we wanted to relocate here and didn't want to risk the prices going up still more. We made a 20% down payment from our "nest egg," more than the minimum required. In February, 2010, we were more fortunate than some as we were able to sell our Missouri house at a fair price.

We recently investigated refinancing our home because of the improved interest rates and the incentives that appeared to be offered. However, we discovered that the value of our home has declined so much that we would have to add another \$28,000 to our mortgage investment *and our payment would increase by \$250 per month.*

I am very concerned that my husband may pre-decease me (he is five years older) for I know I will receive absolutely no spousal survivor benefit from Social Security because of the Government Pension Offset - unless you call an estimated \$45 a month a benefit from 45 years of employment.

Yes, like many of our neighbors and millions like us, to say that Social Security is critically important to seniors maintaining their financial independence is an understatement. When the politicians talk about reducing benefits in order to pay for the war in Afghanistan or some other misuse of these funds, they are talking about money we have contributed to Social Security for a benefit which we counted upon and have rightfully earned. When the pundits and some financial analysts warn that the Social Security system is in danger of going broke, why do politicians ignore the obvious solution of raising the income cap on F.I.C.A. contributions? Raising the cap from the current \$107000 to say, \$200000, even phasing the increases in over the years, could go a long way to insuring the future security of Social Security benefits.

As the issues around Social Security are discussed in the House Ways and Means Committee and the halls of Congress, I hope Congress will see fit to include and adopt the provisions of the Social Security Fairness Act which calls for full repeal of the Government Pension Offset and the Windfall Elimination Provision. These provisions are bad public policy and were passed under false assumptions. We're not talking about wealthy individuals. We're talking about teachers in 15 states and public employees - policeman, firefighters and federal employees - in all 50 states. We're talking about provisions that impact women more than men by an estimated 2 to 1 margin.

We're not asking to receive Social Security benefits for the earnings we made while contributing to a public pension system – that would be "double dipping." We are asking only for our fair share of benefits for which we or our spouses qualify because of

earnings and contributions to Social Security. No one questions the right of people with healthy private pensions to receive their full Social Security benefit –regardless of the amount of that private pension. Why should public employees be penalized?

I would also like to briefly mention two “solutions” that are sometimes suggested when talking about Social Security reform. The first is mandatory coverage for all public employees – a policy change that would financially cripple many effective and sound public pension systems. Like Social Security, public pension systems rely on funds contributed by active employees to pay for current retirees. If active employees are required to pay into Social Security, it would not take long for the contributions to public pension systems to be reduced sufficiently to jeopardize the public pension benefits of those Americans already relying on them. This is not a viable solution to Social Security reform

Secondly, is the proposal sometimes suggested to “privatize” Social Security, let each individual make his or her own decision as to how to protect their future retirement financial security. Even if the financial markets were more stable, this suggestion would serve only to make financial institutions and investment brokers wealthy as they capitalize on those who are uneducated or otherwise incapable of making sound investment decisions on their own. In fact, such a policy is counter to the reason Social Security was passed in the first place. If everyone could make wise, profitable, long-term investments – or had a crystal ball – Social Security might not be necessary but such is not the case.

Yes, 75 years after its passage, Social Security has a proven track record of helping to improve the financial stability of seniors, survivors and persons with disabilities. The economic realities of 2010 make this even more important.

Thank you for the opportunity to submit testimony.

Martha Karlovetz